TRANSPORTATION PARTNERSHIPS FUND

FINANCIAL STATEMENTS

For the Year Ending March 31, 2017

PROVINCIAL AUDITOR
of Saskatchewan

INDEPENDENT AUDITOR'S REPORT

To: The Members of the Legislative Assembly of Saskatchewan

I have audited the accompanying financial statements of the Transportation Partnerships Fund, which comprise the statement of financial position as at March 31, 2017, and the statement of operations and change in net assets and the statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards for Treasury Board's approval, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Transportation Partnerships Fund as at March 31, 2017, and the results of its operations and cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Judy Ferguson

Regina, Saskatchewan
July 12, 2017

Judy Ferguson, FCPA, FCA
Provincial Auditor

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TRANSPORTATION PARTNERSHIPS FUND
STATEMENT OF FINANCIAL POSITION
As at March 31

	2017	2016
Assets		
Current Assets:		
Due from General Revenue Fund (Note 3)	$ 9,686,554	$ 10,126,055
Accounts Receivable	263,695	278,482
	$ 9,950,249	$ 10,404,537
Long Term Assets:		
Loans Receivable Less Concessionary Allowance (Note 6)	$ 1,326,629	$ 1,459,865
Total Assets	$ 11,276,878	$ 11,864,402
Liabilities and Net Assets		
Current Liabilities:		
Accounts Payable	$ 10,885	$ 4,063
Deferred Revenue	4,300	400
Total Liabilities	$ 15,185	$ 4,463
Net Assets	$ 11,261,693	$ 11,859,939
Accumulated Surplus (Statement 2)	$ 11,261,693	$ 11,859,939

(See accompanying notes to financial statements)

TRANSPORTATION PARTNERSHIPS FUND
STATEMENT OF OPERATIONS AND CHANGE IN NET ASSETS
For The Year Ended March 31

	2017 Budget (Note 1)	2017 Actual	2016 Actual
Revenue			
Transportation Partnerships Agreements	$ 700,000	$ 2,426,635	$ 1,903,226
Interest Revenue (Note 3)	20,000	53,726	61,773
Amortization of Loan Discount (Note 6)	42,000	51,697	210,726
Total Revenue	$ 762,000	$ 2,532,058	$ 2,175,725
Expenses			
Highway Improvement Projects (Note 4)	$ 3,200,000	$ 3,080,304	$ 1,490,569
General Transfers	-	-	790,108
Administrative Expenses (Note 4)	50,000	50,000	50,000
Total Expense	$ 3,250,000	$ 3,130,304	$ 2,330,677
(Deficit) for the year	$ (2,488,000)	$ (598,246)	$ (154,952)
Accumulated Surplus, beginning of year	11,859,939	11,859,939	12,014,891
Accumulated Surplus, end of year (Statement 1)	$ 9,371,939	$ 11,261,693	$ 11,859,939

(See accompanying notes to financial statements)

TRANSPORTATION PARTNERSHIPS FUND
STATEMENT OF CASH FLOWS
For the Year Ended March 31

	2017	2016
Cash flows from (used in) operating activities:		
Cash Receipts From Transportation Companies	$ 2,443,153	$ 2,044,291
Cash Receipts From Short-Line Railways	184,933	870,667
Interest Received	55,895	66,626
Cash Paid For Highway Improvement Projects	(3,073,482)	(1,486,665)
Cash Loans Paid To Short-Line Railways	-	(551,092)
Cash Paid For General Transfers	-	(666,513)
Cash Paid For Administration	(50,000)	(50,000)
Net Decrease in cash	$ (439,501)	$ 227,314
Due from General Revenue Fund, beginning of year	10,126,055	9,898,741
Due from General Revenue Fund, end of year	$ 9,686,554	$ 10,126,055

(See accompanying notes to financial statements)

TRANSPORTATION PARTNERSHIPS FUND
NOTES TO THE FINANCIAL STATEMENTS
March 31, 2017

1. Authority and Definition of Entity

The Transportation Partnerships Fund (Fund) was established effective July 1, 1997 pursuant to Section 8 of *The Highways and Transportation Act, 1997*. The purpose of the Fund is to generate revenues to be used for highway improvement projects. The Fund generates revenues subject to the terms of trucking partnership agreements in which the transportation companies pay the Fund a portion of cost savings achieved from being able to haul overweight and/or over-dimension loads. Additional revenues are raised through issuing permits and the marketing of transportation related technology and expertise.

The Fund is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian public sector accounting standards. The Fund maintains a system of accounting and administrative controls to ensure that accurate and reliable financial statements are prepared and to obtain reasonable assurance that transactions are authorized, assets are safeguarded, and financial records are maintained.

Treasury Board approves the Fund's budget annually. The budget amounts presented in these financial statements are based on the budget approved by the Treasury Board.

2. Significant Accounting Policies

Pursuant to standards established by the Public Sector Accounting Board, the Fund is classified as an "other government organization". The financial statements have been prepared in accordance with Canadian Public Sector Accounting Standards as recommended by the Public Sector Accounting Board. The fund did not have any re-measurement gains and losses, therefore, a statement of re-measurement gains and losses has not been provided. A Statement of Changes in Net Financial Assets has not been prepared as the information is readily apparent from the financial statements. The following accounting principles are considered significant:

a) Revenue recognition –
   I. Transportation Partnerships Agreement revenue - recognized in the period the truck haul savings and fees are realized and pursuant to Transportation Partnership Agreements with transportation companies, a portion of revenue received is used for highway improvement projects on specified highways.
   II. Transfers are recognized as revenue when the Fund has met the eligibility criteria, if any, and a reasonable estimate of the amount can be made.

b) Use of estimates –
   These principles require management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ

from those estimates. Differences are reflected in current operations when identified.

c) Financial assets and liabilities –
The Fund's financial assets and liabilities include due from General Revenue Fund, accounts receivable, loans receivable less concessionary allowance, accounts payable and deferred revenue. These financial instruments are valued at amortized cost.

3. Due from General Revenue Fund

The monies of the Transportation Partnerships Fund are deposited in the General Revenue Fund. Under this arrangement, earned interest is calculated and paid by the General Revenue Fund on a quarterly basis using the Government's thirty day borrowing rate and the Transportation Partnerships Fund's average daily bank account balance. The effective interest rate in the year was 0.54% (2016 – 0.60%).

4. Related Party Transactions

These financial statements include transactions with related parties. The Fund is related to all Saskatchewan Crown agencies such as ministries, corporations, agencies, boards and commissions under common control of the Government of Saskatchewan. Also, the Fund is related to non-Crown agencies that the Government jointly controls or significantly influences. These transactions are in the normal course of operations and are recorded at agreed upon exchange amounts.

Expenses		2017	2016
Ministry of Highways and Infrastructure		$ 57,591	$ 50,000
SaskPower Corporation		-	3,061
	Total	$ 57,591	$ 53,061

Revenues - Transportation Partnership Agreement		2017	2016
Ministry of Highways and Infrastructure		$ 200	$ 200
SGI		3,981	-
SaskPower Corporation		22,459	45,239
	Total	$ 26,640	$ 45,439

Accounts Receivable		2017	2016
SaskPower Corporation		$ 3,741	$ 5,468
Ministry of Highways and Infrastructure		-	9,135
	Total	$ 3,741	$ 14,603

The Fund pays the Ministry for admin fees of $50,000 which is included in the Expense. Highway improvement projects undertaken by the Fund are repairs and betterments to assets of the Ministry of Highways and Infrastructure. Projects of a capital nature totaling $3,073,897 (2016 - $1,490,569) were transferred by the Fund to the Ministry. The Ministry records and amortizes these assets based on Ministry capitalization policies and thresholds.

5. Contractual Obligations

The Fund has entered into contractual obligations to complete highway construction projects which are expected to be paid in the following fiscal years.

Contractual Obligations	2017-18	2016-17
Kelly Panteluk Construction Ltd.	$ 961,500	
Venture Construction Inc.	1,769,345	
Carmacks Enterprises Ltd.		1,215,889
Total	$ 2,730,845	$ 1,215,889

6. Loans Receivable Less Concessionary Allowance

The Fund provided loans of $0 in 2017 (2016 loans - $551,092; total loans advanced to date - $3.844 million) in financial assistance to eligible Short Line Railway companies under *The Railway Line (Short Line) Financial Assistance Regulations*. The loans are interest free and to be paid back over 15 years, with the first repayment due in the fourth year.

The loans are accounted for as a discounted loan on the Statement of Financial Position. Due to the concessionary nature of the loan, the Fund recognized a discount of $0 in 2017 (2016 – $123,595). A concessionary allowance has been recorded and will be amortized to revenue over the term of the loan. The total concessionary allowance balance is $197,664 in 2017 (2016 - $249,361).

No valuation allowance was established in the current year. An allowance will be recorded if at any point the loan is not considered payable in full.

LOANS				
Company Name	Beginning Balance	Additions	Repayments	Ending Balance
Westcan Rail (Sask.) Ltd.	$ 220,000		$ 73,333	$ 146,667
Torch River Rail Inc	64,000		10,667	53,333
Last Mountain Rail	540,800		67,600	473,200
Long Creek Railroad	333,334		33,333	300,001
Northern Lights Rail	551,092		-	551,092
	$ 1,709,226	$ -	$ 184,933	$1,524,293

CONCESSIONARY ALLOWANCE						
Company Name	Beginning Balance	Addition	Amortization	Ending Balance	2016-17 Net Balance	2015-16 Net Balance
Westcan Rail (Sask.) Ltd.	$ 16,046		$ 7,189	$ 8,857	**$ 137,810**	**$ 203,954**
Torch River Rail Inc	6,307		1,954	4,353	**48,980**	**57,693**
Last Mountain Rail	64,514		16,781	47,733	**425,467**	**476,286**
Long Creek Railroad	47,207		9,453	37,754	**262,247**	**286,127**
Northern Lights Rail	115,287		16,320	98,967	**452,125**	**435,805**
	$ 249,361	$ -	$ 51,697	$ 197,664	**$ 1,326,629**	**$ 1,459,865**

7. Financial Risk Management

I. Credit Risk – The Fund is exposed to credit risk from the potential non-payment of accounts receivable and loans receivable.

II. Liquidity Risk – The Fund is at risk of encountering difficulty in meeting obligations associated with financial liabilities. The Fund enters into transactions to purchase goods and services on credit. The value subject to risk is $10,885 in 2017 (2016 - $4,063).